

**REPORT OF THE AUDIT OF THE  
PERRY COUNTY  
CLERK**

**For The Year Ended  
December 31, 2000**



**EDWARD B. HATCHETT, JR.**  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PERRY COUNTY CLERK**

**For The Year Ended  
December 31, 2000**

The Auditor of Public Accounts has completed the Perry County Clerk's audit for the year ended December 31, 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees decreased by \$61,040 from the prior year, resulting in excess fees of \$47,181 as of December 31, 2000. Revenues decreased by \$52,256 from the prior year and disbursements increased by \$5,611.

The decrease in revenues was due to a decrease in delinquent taxes, a grant received in the prior year was not received in the current year, and other, lesser decreases.

The increase in disbursements was due to a difference between the decrease in the delinquent tax payments, and the increase in the health insurance and payments made to the County Attorney which were not made in the prior year.

#### **Report Comment**

- The County Clerk Did Not File An Annual Settlement With The Fiscal Court
- The County Clerk Did Not Publish His Annual Financial Statement
- Lacks Adequate Segregation Of Duties

#### **Deposits:**

The Clerk's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Denny Ray Noble, Perry County Judge/Executive

Honorable Haven King, Perry County Clerk

Members of the Perry County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Perry County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Denny Ray Noble, Perry County Judge/Executive  
Honorable Haven King, Perry County Clerk  
Members of the Perry County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The County Clerk Did Not File An Annual Settlement With The Fiscal Court
- The County Clerk Did Not Publish His Annual Financial Statement
- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 18, 2002



PERRY COUNTY  
HAVEN KING, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2000

Receipts

State Grants	\$	3,066
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State Fees For Services		2,947
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Fiscal Court		8,030
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	840,837
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Usage Tax		3,113,291
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Tangible Personal Property Tax		1,631,271
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Handicap Cards		1,955
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Spouse Abuse		29
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Licenses-

Marriage		11,213
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Occupational		9,401
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Miscellaneous Licenses		2,986
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Deed Transfer Tax		18,636
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Delinquent Tax		287,971
		5,917,590

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	12,468
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Real Estate Mortgages		9,651
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Chattel Mortgages and Financing Statements		106,321
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All Other Recordings		23,564
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Charges for Other Services-

Candidate Filing Fees		1,210
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Copywork		21,009
		174,223

Other:

Entertainment License	\$	20
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Postage		143
		163

Interest Earned	\$	7,442
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Miscellaneous		4,183
		4,183

Total Receipts	\$	6,117,644
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PERRY COUNTY  
 HAVEN KING, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2000  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 652,490

Usage Tax 3,012,819

Tangible Personal Property Tax 619,755

Licenses, Taxes, and Fees-

Delinquent Tax 42,426

Legal Process Tax 27,427 \$ 4,354,917

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 175,540

Delinquent Tax 34,651

Deed Transfer Tax 17,944

Occupational Licenses 8,725 236,860

Payments to Other Districts:

Tangible Personal Property Tax \$ 764,725

Delinquent Tax 139,157 903,882

Payments to Sheriff

7,611

Payments to County Attorney

\$ 45,726

Operating Disbursements:

Personnel Services-

Deputies' Salaries \$ 254,456

Part-Time Salaries 13,483

Overtime 4,963

Contract Labor 3,080

Employee Benefits-

Employer's Share Social Security 24,881

Employer's Paid Health Insurance 45,886

Other Payroll Disbursements 1,394

Contracted Services-

Advertising 301

Printing and Binding 12,912

Materials and Supplies-

Office Supplies 25,095

Other Charges-

Conventions and Travel 6,434

Dues 1,100

Postage 5,934

Equipment Repair 13,078

PERRY COUNTY  
 HAVEN KING, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2000  
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Other Charges- (Continued)

Miscellaneous	\$	497	
Microfilming		7,400	
Library and Archives Grant		3,066	
Bond		225	
Election Expense		1,081	
Refunds		11,798	
Service Agreement	\$	15,143	\$ 452,207

Total Disbursements			\$ 6,001,203
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Net Receipts			\$ 116,441
Less: Statutory Maximum			65,660

Excess Fees			\$ 50,781
Less: Expense Allowance			3,600

Excess Fees Due County for 2000			\$ 47,181
Payment to County Treasurer - March 13, 2001	\$	25,000	
March 11, 2002		16,841	41,841

Balance Due at Completion of Audit			\$ 5,340
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The accompanying notes are an integral part of the financial statement.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent for the first six months and 7.17 percent for the last six months of the calendar year.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2000  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$23,066. On January 1, 2000, the beginning balance for this grant was \$3,066. Funds totaling \$3,066 were expended during 2000 to close out this grant account.

Note 5. Service Contract

On August 19, 1999, the County Clerk entered into separate service contract agreements with Software Management, Inc. on hardware and software purchased for use in delinquent tax collections. The hardware service agreement began August 19, 1999 and ends August 19, 2003. Payment amounts vary and may be made annually or monthly. The balance was \$13,691 as of December 31, 2000. The software service agreement began August 19, 1999 and ends August 18, 2004, to be automatically renewed on an annual basis thereafter at the then current rate, unless written notice is received from either party 60 days prior to the anniversary date. Payment may be \$5,700 annually or \$475 monthly. The balance was \$21,500 at December 31, 2000.

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## COMMENTS AND RECOMMENDATIONS





PERRY COUNTY  
HAVEN KING, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2000

STATE LAWS AND REGULATIONS:

1. The County Clerk Did Not File An Annual Settlement With The Fiscal Court

The County Clerk did not file an annual settlement with the Fiscal Court. KRS 64.152 requires the county clerk to provide the fiscal court with a statement of receipts and expenditures of the preceding calendar year and to settle excess fees with the fiscal court by March 15 of each year. We recommend compliance with this statute in the future.

*County Clerk's Response:*

*We will comply with that.*

2. The County Clerk Did Not Publish His Annual Financial Statement

The County Clerk did not publish his annual financial statement. KRS 424.220 (6) states the County Clerk shall, within sixty (60) days after the close of the calendar year, cause the financial statement to be published. We recommend compliance with this statute in the future.

*County Clerk's Response:*

*We will comply with that.*

INTERNAL CONTROL-REPORTABLE CONDITIONS:

Lacks Adequate Segregation Of Duties

We conclude the internal control structure lacks a proper segregation of duties. There is a limited staff size, which prevents an adequate division of responsibilities. The County Clerk has statutory authority to assume the role as custodian of monetary assets as well as recorder of transactions and preparer of financial statements. Internal controls over cash disbursements, payroll, receivables, and general areas were insufficient to offset a lack of proper segregation of duties. The authorized check signers were not independent of voucher preparation, check preparation, cash receiving, and purchasing and receiving. All but two of the deputies can sign checks. An employee independent of all payable, disbursing, cash, and receiving and general ledger functions did not handle custody of checks after signature and before mailing. Persons preparing the payroll were not independent of other payroll duties (e.g., timekeeping, distribution of checks) and had access to other payroll data and cash. Personnel performing the general accounting/general ledger/journal entry functions were involved in the detail recording functions of accounts receivable, accounts payable, and/or purchasing. Access to accounting records was not limited to the employee with designated responsibility for such records. All deputies have access to the bookkeeper's computer.

PERRY COUNTY  
HAVEN KING, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2000  
(Continued)

INTERNAL CONTROL-REPORTABLE CONDITION: (Continued)

Lacks Adequate Segregation Of Duties (Continued)

The Clerk can establish the following controls to help compensate for the lack of segregation of duties described above:

- 1) Strong and direct supervision by the official over all aspects of his office
- 2) All disbursement checks should be signed by two people with one being the official
- 3) The official should mail the disbursement checks
- 4) The official should examine the payroll checks prepared by another employee and distribute checks to employees
- 5) Other disbursements checks prepared by another employee should be examined by the official for proper documentation
- 6) The official should prepare the bank reconciliation
- 7) The bookkeeper's computer should be off limits to unauthorized personnel

We recommend the County Clerk establish these controls to help compensate for the lack of segregation of duties.

*County Clerk's Response:*

*We will do whatever it takes to correct these areas.*

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Perry County Clerk for the year ended December 31, 2000, and have issued our report thereon dated September 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Perry County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Clerk Did Not File An Annual Settlement With The Fiscal Court
- The County Clerk Did Not Publish His Annual Financial Statement



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Perry County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 18, 2002

